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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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EXCLUSIVE:

ID reveals the secrets of compensation

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ID unlocks the secrets of distribution salaries.—p. 45

The crowning touch in a family-owned business is to have the right successor.—p. 61

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INDUSTRIAL DISTRIBUTION

THE MANAGEMENT AND SALES MAGAZINE FOR DISTRIBUTORS

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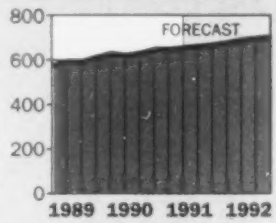
Manufacturing can't do it all

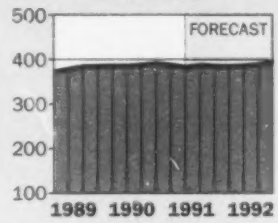
Distributors say consumers are the key to a strong recovery.

WITH DEMAND FOR U.S. EXPORTS STILL STRONG...



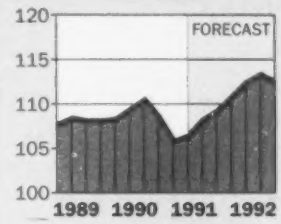
* seasonally adjusted annual rate
Data Source: Dept. of Commerce
Forecast Source: Cahners Economics

AND INVENTORY LEVELS UNDER CONTROL...



Data Source: Dept. of Commerce
Forecast Source: Cahners Economics

INDUSTRIAL PRODUCTION IS PRIMED TO GROW.



Data Source: Federal Reserve Board
Forecast Source: Cahners Economics

Industrial distributors and manufacturers should be proud. According to numerous newspaper and television reports, economists point to manufacturing as the one bright spot in an otherwise dreary economic picture.

And it's true. As of early October, factory production climbed for the fifth straight month, providing three-fourths of the economy's 110,000 job gains since the spring, and more than one-third of the rise in private wage income since March.

"There's no question that manufacturing is leading the country out of recession," says Susan Farris, an economist at Cahners Economics. "But the real strength of this recovery will depend on the performance of the consumer sector."

Farris points to a number of factors that could block a strong recovery. For starters, instead of spending money on new cars, houses and appliances, consumers are paying off historically high debts. This, coupled with the junk bond excesses of the 1980s slow down business investment. Other forces which threaten recovery include massive budget deficits at all levels of government, the credit crunch and fallout from the savings and loan scandal.

But despite these obstacles, manufacturing has stayed strong. Why? According to Gordon Richards, a staff economist at the Nat'l Assn. of Manufacturers (NAM), the main reason is because the weak dollar continues to make U.S. products competitive overseas (see charts).

In addition, technology, and more efficient inventory control methods reduced the need for large scale inventory liquidation during the recession. This helped in two ways. First, it kept the manufacturing sector pumping at a time when retrench-

See Manufacturing p. 12

Cahners CEO Ronald Segel dies after bout with cancer

NEWTON, MASS.—Ronald Segel, chairman and CEO of Cahners Publishing Co., and deputy chief executive of Cahners' parent company, Reed International PLC, died last August after a year-long bout with cancer. He was 56.

During Segel's 20-year career with Cahners Publishing, the business grew from a trade magazine firm with annual revenues of $50 million to the strongest link in a $1.3 billion world-wide communications company.

"Ron Segel's fingerprints can be found on every element of our growth," said Terrence M. McDermott, the company's president. "All of us at Cahners will miss him."

Under Segel, Cahners became the country's leading publisher of specialized business magazines, as well as a growing force in consumer publishing and trade shows. The company's 84 titles cover almost every field of endeavor, from computers, medicine and book publishing, to manufacturing, construction and retailing.

It was during Segel's tenure as the company's president and chief operating officer that Cahners purchased Technical Publishing, a move that brought *Industrial Distribution* into the Cahners family.

Segel, a Boston native, was a graduate of Harvard University and Harvard Business School. ID

Vermont American forms Primark Group

LOUISVILLE—In response to distributor requests for a single product source, Vermont American consolidated its three industrial tool operations to form Primark Tool Group. The company will launch the new venture at the Specialty Tools and Fasteners Distributors Assn. (STAFDA) convention in Nashville this month.

See Vermont p. 12

Manufacturing from p. 11

ment is the norm. And second, with inventories low and under control, any increase in demand spells good news for factories.

What do our people think?

Industrial distributors and manufacturers are generally upbeat about prospects for 1992. Many reported strong sales in the late summer and early fall, as well as a general sense that the recession had bottomed out. But they also wonder when consumer spending will turn around.

"I don't care what they say about the manufacturing sector," says Roy Otto, president of Machine Tool Supply in Eagan, Minn. "Unless consumer spending picks up, any uptick in manufacturing will be shortlived."

Herb Haggard, president of Haggard & Stocking in Indianapolis, Ind., agrees. "Things are very fragile at this point," he says. "While we're looking ahead to a much stronger year, all the optimism could disappear if we go to war again in the Middle East, or something unforeseen happens in Eastern Europe."

The international arena is of particular concern to American manufacturers, many of whom reported strong export activity.

For example, Garo Aznavourian, president of Stanley-Proto Industrial Tools, says his firm's ability to sell product overseas saved the company from an otherwise dreadful sales year. Notes Aznavourian, "Exports have been strong. But they can't make up for the doldrums in the domestic economy. As far as I can tell, manufacturers who concentrate specifically on the domestic market are really hurting."

With experts predicting a stronger 1992, what are the key markets for industrial manufacturers and distributors to consider?

According to Cahners' *U.S. Economic Outlook*, machinery output rebounded a bit earlier in this expansion, a signal that the recovery will reach full growth in the fourth quarter of '91. In addition, durable goods orders vacillated in the past five months, a sign that the OEM sector is at a turning point.

Notes Cahners, "The manufacturing expansion may be a bit stronger than previously thought because capacity use had been high relative to past recessions. Expect capital spending to exceed a 5% annual rate by mid-1992.—*By Steve Zurier* ID

Vermont from p. 11

Ralph Cox, Primark's president and general manager, said the new company consists of Magna Professional Tools, a major supplier of circular saw blades and hammer bits to contractors; DML, a producer of saw blades and specialty cutters for the woodworking industry; and Magna Industrial Tools, which services industrial accounts with insert and power screwdriver bits.

According to Cox, Primark's plan is to create a system in which distributors can place one order, receive one shipment and pay one invoice, as well as order product from any division. In the past, the three divisions operated as separate entities with three separate bureaucracies. But under Primark, distributors can order product over the telephone from one salesperson at the company's central warehouse.

"With the advent of the price clubs and the down economy, the business changed," Cox said. "In order to survive, the STAFDA houses are going after the industrial business and the mill supply firms are pursuing the construction market. Forming Primark puts us in the position to service that shift."

> 'Distributors won't find our products on the shelves at the price clubs or discount houses.'—Cox

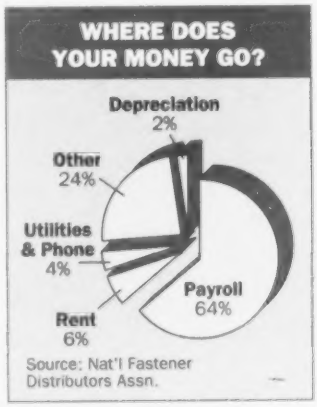
Cox said another advantage of the new system is that it allows distributors to qualify for pre-paid freight and more favorable pricing. He said Primark is dedicated to providing both a 95% fill rate and 48-hour turnaround on stock items.

"Distributors won't find our products on the shelves at the price clubs or discount houses," Cox said. "Forming Primark demonstrates our dedication to servicing the professional industrial, construction and woodworking markets." ID

Consultant advises creative cost cutting

SOMERDALE, N.J.—A recent survey of 62 members of the Nat'l Fastener Distributors Assn. (NFDA) found that payroll is a whopping 64% of a distributor's operating costs.

Based on this information, consultant Albert Bates, who conducted the Productivity and Financial Targeting (PROFIT) study for NFDA, says distributors must find creative ways to reduce overhead.



Bates says distributors should improve their scheduling, use incentive compensation when possible, tie salary increases to performance, and encourage employees to monitor expenses on an ongoing basis.

Other key expenses reported by Bates include rent at 6%; utilities and phone, 4%; depreciation, 2%; and other, 24% (see chart). According to the study, payroll refers to salaries, commission, wages, bonuses, payroll taxes, and employee benefits.

Bates points out that the aim of the study is to help distributors understand the factors that cause profits to sag, and provide them with tools to improve their respective profit pictures.

The study also points out that if an industrial distributor expects to improve his return on investment, he needs to devise a specific plan. Bates' strategy involves the following:

- Develop a profit target. As a general rule, the typical distributor should plan on trying to increase his return on investment somewhere between 2.5 and 5.0 percentage points each year.
- Identify the areas of the company where weaknesses exist. Each of these sore spots should be reviewed thoroughly and individual targets established.

See Consultant p. 14

Consultant from p. 12

• Monitor results monthly. It is not enough just to set goals and objectives. These objectives must be reviewed on a monthly basis to insure that the distributorship is staying on target.

For more information on the study, contact NFDA at (609) 627-4333.

The study is available free to participants, costs $150 for members who did not participate and sells for $250 to non-members. ID

Baldor, NEMA, fight motor standards

FORT SMITH, ARK.—Baldor Electric, the Nat'l Electrical Manufacturers Assn. (NEMA), and other leading motor manufacturers are fighting a move by Congress to establish standards for motors.

The bill, which is being sponsored by Congressman Edward Markey (D-Mass.), would require all motors up to 250 hp to contain premium efficiency designs within 18 months of the bill's enactment.

According to Ted Atkins, Baldor's executive vice president of marketing and sales, while requiring so-called "super efficient" motors on all applications is well intentioned, it may cause more harm than anticipated.

Notes Atkins, "Motors should be specified based on the application. I'm all in favor of using super efficient motors in a continuous application. But in a non-continuous environment like a milling machine, the super efficient motors don't have the reserve torque to do the job. If this bill goes through, specifiers will find themselves using more energy, because more powerful motors are required."

Dan Shipp, NEMA's vice president for government affairs, says the industry is concerned that the motor legislation will be tacked on to the House version of a broader energy bill. In addition, while the Senate version of the energy bill does not currently contain regulations on motors, NEMA says there will be a great deal of pressure to place identical language in both bills. Why? To avoid a conference battle on the broader energy bill, which includes critical national issues such as fuel efficiency standards and oil drilling in Alaska.

To date, both Baldor, NEMA and other leading motor companies were lobbying Markey's office to consider a compromise. The industry thinks Congress should:

• Adopt the energy efficiency standards as published by NEMA.

• Empower the Secretary of Energy to exempt a motor if he determines that the product would not save energy.

• Have the Dept. of Energy (DOE) use NEMA standards for testing and labeling.

• Require DOE to set up a third party certification program to ensure compliance with testing and labeling rules.

Will NEMA's proposals be heard? Markey spokesperson David Nemtzow says they will. "We are taking a hard look at the industry's proposals," he says. "It is our hope that through these good faith efforts, we can meet the dual goal of maximum energy savings at minimum disruption." ID

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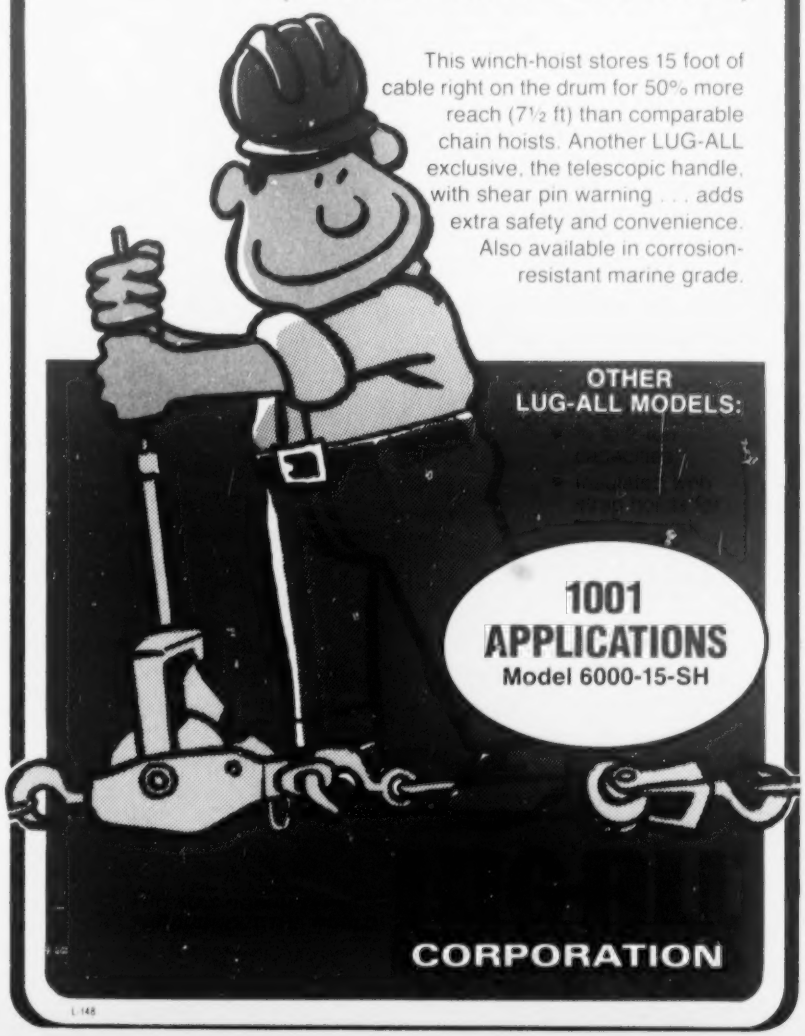

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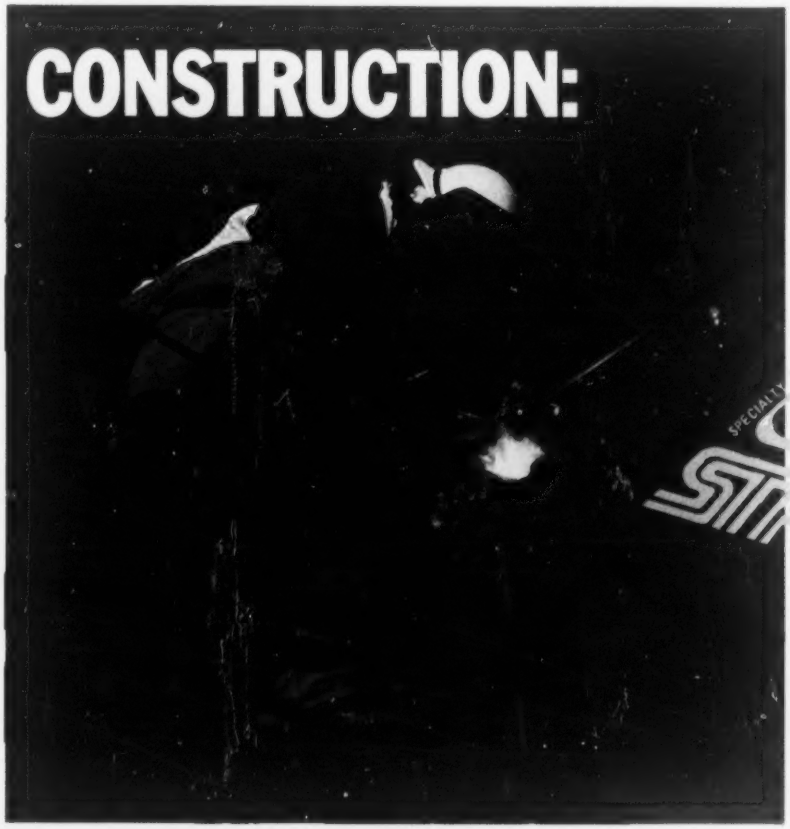

Crash or Comeback?

Still reeling from the building glut and the credit catastrophe, construction shows meager—but encouraging—signs of recovery.

By Christine Forbes, Associate Editor

The signs are tenuous. There's no doubt about it. But, they are there. The seemingly endless down cycle that has plagued the construction industry for nearly five years is finally showing gradual signs of ascension. Hallelujah!

Sing words of praise. Breathe a sigh of relief. But, whatever you do, don't go on an ordering binge. While residential construction spending figures indicate a marginally improved climate, the revival is happening at the pace of an unhurried struggle. In the words of Daryl Delano, senior economist specializing in the construction industry for Cahners Economics in Newton, Mass., "Recovery is a slow, slow process."

Laborious though it may be, it appears to be happening. According to Delano, residential construction spending serves as the most noteworthy indicator of construction's future—particularly the commercial sector. "Historically, the residential sector leads recovery in the nonresidential arena," says Delano. "And, we've witnessed a gradual increase in residential construction spending since the spring. In fact, it's picked up every single month since then."

Delano explains that the strong link between the two sectors leads economists to believe that a recovery on the commercial side is around the corner. Just how far around the corner? "That's hard to say," responds Delano. "Commercial spending is still declining—but we anticipate that it will level off and then escalate somewhat, probably by early 1993."

Terry Cole, director of sales and marketing at Magna Industrial in Elizabethtown, Ky., mirrors those sentiments. "We're not looking for a quick recovery by any means," he says. "It will be slow. We anticipate a 3 to 5% increase probably coming at the end of 1992." At Magna in particular, sales have already begun to reflect an increase across the board, due to a degree of positive movement on the construction side.

Milwaukee Electric also takes an affirmative stance. Dan Perry, vice president of sales, projects "a continuation of slow to moderate growth in residential construction through the remainder of 1991. However, we are planning for a more significant growth rate beginning in the second quarter and continuing through 1992."

The here and now

So, by many accounts, there is a light at the end of the tunnel. But, is any light filtering through now? In the commercial sector, there is a flicker. Delano reports that the industrial and institutional divisions under the commercial construction umbrella remain steady and strong.

The figures prove it. 1989 spending dollars in the industrial sector

The Stock Market

were up 23.9% from 1988, and 1990 spending jumped 16.8% over 1989 levels. Delano attributes continued investment and corresponding stability in this arena to a shortage of warehouse space, as well as a growing need for new manufacturing plants. "In order to compete in the overseas market, American manufacturers must upgrade and expand facilities," he says.

Warren Ware, vice president of marketing for Ridge Tool, says sales in the industrial sector are steady and growing stronger daily. "The number of calls for additional orders is the best indicator we have of what's happening in the field," he says. "And, we're getting more and more calls every day from our distributors and salespeople anxious to stock the shelves."

Although Cahners Economics predicts a 0.3% decline in industrial construction in 1991, the group notes that this sector is clearly the healthiest within the non-residential market. "The industrial numbers are sliding a bit, but they certainly won't reach the depths of the overall commercial market," reports Delano.

Dan Foshee, vice president of sales for Klein Tools, Inc. in Chicago, has begun to notice the leveling off of industrial sales at Klein. However, he explains, "Industrial construction has typically been the biggest positive in our business. When plant expansion and upgrading were big, we experienced several months of gains."

It's an institution

Like the industrial sector, institutional construction continues to shine as a bright spot in the commercial arena, according to Delano. "Institutional construction (encompassing both municipalities and infrastructures) is the most stable, recession resistant sector, mostly because of the nature of the projects," he says.

The reasons for optimism are clear. First, institutional projects are funded by federal, local, and state governments, not credit-wary banks. Second, the jobs are typically long-term contracts that were funded years earlier, thus remaining unaffected by the recession. Third, wear and tear on public buildings and infrastructures over time absolutely necessitates the new and improved systems. And finally, the national demographics, such as inter-regional migration and aging baby-boomers which prompt such funding, require additional hospitals, schools, courthouses and prisons.

Cahners Economics projects a 6% increase in institutional spending in 1991. Although this is down from the 13.8% expansion in 1990, it is a profound growth area. And, adds Delano, "It may have been even more significant if it weren't for the nationwide budget cuts."

Remodeling rebound

The industrial and institutional sectors aren't the only positive points in the overall construction picture. According to Tracy Bilbrough, director of marketing, I/C & Professional Power Tools, Black & Decker U.S. Power Tools Group, still more light glimmers in the remodeling arena—both residentially and commercially.

"On the residential side, the median age of a house today is more than 18 years old," Bilbrough explains. "With the settling in of the baby boom generation, this translates into a lot of activity in remodeled kitchens, upgraded rooms, additions, and decks." This is further bolstered by the banking crisis. As institutions pull tighter on the loan reins, remodeling becomes the viable alternative to moving.

Commercially, the building surplus cloud has a sterling silver lining as well. Because of the overabundance of commercial and retail buildings and high vacancy rates, extraordinary competition exists for new tenants. As a result, available commercial and retail space is being upgraded to make it more attractive to potential clients. "Owners are not only improving the exterior and interior look of the space, they are also making mechanical, HVAC and structural improvements to bring in new tenants," notes Bilbrough.

Hot spots

While nationwide trends serve as strong indications of construction's future, regional patterns often shed even more light, particularly for those who live and work in that region. According to Cahners Economics, regional hot spots are pinpointed by building permits acquired months before the actual construction takes place.

Delano highlights cities within the mountain states as well as areas boasting diverse economic bases as the most likely to show promise. Washington, D.C., Los Angeles and Houston rank one, two and three on the list of strong areas for 1992 in the new non-residential construction industry based on permits.

John Tabellione, vice president of marketing and sales for The Irwin Company in Wilmington, Ohio, already sees positive movement in these areas. "The mountain states as well as Houston and Southern California have been relatively strong across the board for us," he says. All three of these areas draw from diverse markets.

"It's typical of the regional ebbs and flows," says Delano. "Five years ago, New England was hot and the gulf region and mountain states were suffering. Today, it's just the opposite." Foshee reports that Texas and Louisiana, both recently devastated regions, show measurable improvement and stability for Klein Tools. "They have nowhere to go but up," Foshee notes.

The two areas which show consistent promise for construction are Florida and California because of constant inter-regional migration. Accordingly, Cahners predicts a 26.7% jump in construction spending in Naples, Fla., and a 27.3% hike in Bakersfield, Calif.

CONSTRUCTION SPENDING

(Billions of Current $)

	Actual	Forecast			Annual % Change			
	1990	1991	1992	1993	'90/'89	'91/'90	'92/'91	'93/'92
Total	376.9	358.9	387.2	406.7	+0.6	−4.8	+7.9	+5.0
Res.	129.9	118.6	140.2	148.9	−6.7	−8.7	+18.2	+6.2
Nonres.	147.7	141.0	142.5	151.0	+3.6	−4.5	+1.1	+6.0
Nonbldg.	99.4	99.3	104.5	106.8	+6.9	−0.1	+5.2	+2.2

Construction figures exclude improvements to existing buildings.
Source: U.S. Commerce Department, Forecast: Cahners Economics

CONSTRUCTION

Cold spots

We know what's hot. But, what's not? Paul Sloan of Boston Cartridge Tool Co. Inc. in Newtonville, Mass., can answer that question in a heartbeat: New England. "If you took a bathtub that was filled to the rim and emptied it, what would be left?" he asks. "The answer is nothing, and that's pretty close to what we're experiencing in the Boston area right now."

The recession has played havoc on almost every business in nearly every region. New England is the extreme case. Many companies in the area are going out of business or hanging on by a thread. Boston Cartridge is an exception. "We're surviving by getting better at what we do best," Sloan candidly relates. He credits such wild cards as price crunching and extended payment schedules for the dilemma.

Despite these challenges, however, Sloan says that Boston Cartridge keeps its head above water by employing some unique tactics. "We've shifted our lines a bit and modified our market emphasis to capitalize on the types of customers who are working," he says. "We're looking at contractors we didn't look at before—from those who compete for big infrastructure projects to the small-time remodeling contractors." Although the company's line is changing—it's not expanding. Sloan points out that their product line has been refined toward specific construction activities. "We provide leading technology and specialized service," he contends. "We're not going after the guy who's looking for a blue light special."

B-E A-G-G-R-E-S-S-I-V-E

Whether the economic turnaround happens today or tomorrow is anyone's guess. But, one thing is for sure— only the strong will survive.

Ridge Tool is doing just that. Through the recession, the manufacturer has beefed up advertising and promotional efforts designed to expose new products and "put the competitor against the ropes." Ware says, "It's time to be aggressive. The recovery will be slow and we must be patient. But, we're not just sitting back to wait. We're taking advantage of the opportunities!"

So is Makita U.S.A. Inc. Roy Thompson, corporate purchasing manager for the La Mirada, Calif., manufacturer, says, "We're working extra hard for people's business." And it's paying off. Despite the recession, Makita continues to grow.

Dick McCann, president of McCann Construction Specialties in Addison, Ill., adheres to the same upbeat philosophy. "We're working hard to maintain our margins and keep our expenses down, but we've also increased our ad budget, added four new outside sales people, and we continue to spend a great deal of time and money on education and training," he says. This is all designed to combat what he would estimate as a 20 to 35% drop in construction spending since December 1990 in the greater Chicago area. "We see the recession as an excellent time and opportunity for us to increase our market share," he adds. "Like all downturns, this too will pass. And, when it does—we'll be there to reap the benefits." ID

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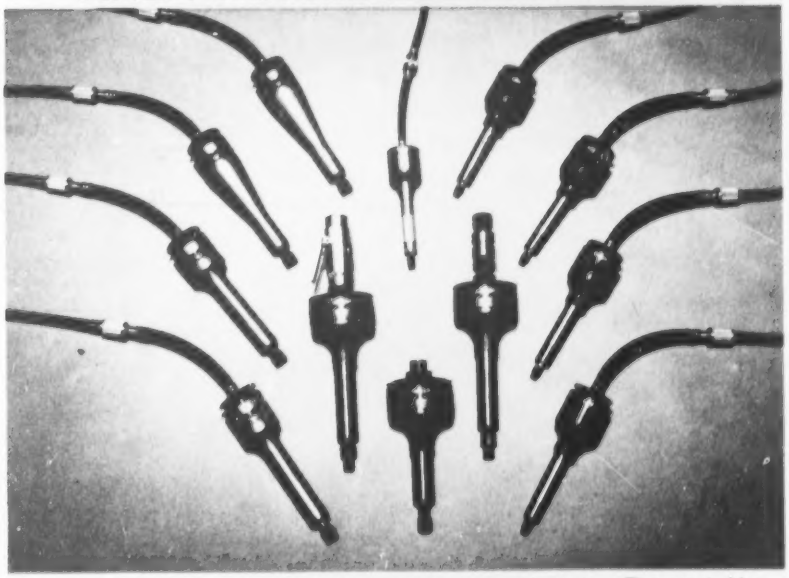

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ID EXCLUSIVE

SALARY SURVEY:

The secret's out

ID reveals clear-cut salary trends for 1990 in our fourth annual salary survey.

By Christine Forbes, Associate Editor

How much do you make? Whether it's high, low, or in between, chances are your salary is one of the best kept secrets you have. According to Andrew Zuckerman, national coordinator of employee benefits specialist for Grant Thornton Accountants and Management Consultants in Washington, D.C., keeping individual salaries a secret is a question of ethics. "It's a standard code of conduct," Zuckerman says.

Well. The secret's out. No need to grill your boss or your associates for details on the weekly paycheck. ID's Fourth Annual Salary Survey delves into the secret of industry-wide salaries. And it takes out of safe-keeping the trends that shape your income—whether you're a CEO or an inside salesperson. We uncover everything from regional compensation and compensation by experience to the benefits that are received and those that are desired. And it's all based upon the information you provided.

You'll find analyses of this year's data as well as affinity to the figures of last year. However, it's important to remember that the uncontrolled nature of the study—which brings in different types and numbers of respondents every year—precludes pure comparison. Nevertheless, you will find that certain conclusions about industry compensation trends clearly emerge.

Tom Szumowski

SALARY SURVEY

Compensation's regional wrap-up

Welcome to America—the land of opportunity. But, don't forget that in America the opportunity—and how much it pays—is different from one region to the next.

And so it goes in distribution. A position in the deep South won't win you the same compensation as a similar job in the heart of metropolitan San Francisco. Everything from the cost of living in a particular area to the cost of labor for the end user impacts the "going rate" in distribution and other industries. Not surprisingly, our figures reflect that.

The highest salary average originates from the West at $70,000, while the lowest average is reported in the South at $63,000. With some exceptions, these findings are in line with what we might anticipate, knowing what we do about the dynamics of the regions.

It's important to note that comparison to last year's averages is difficult simply because our regional breakdown differs sharply this year. Whereas previously we had nine smaller regional groupings including East South Central and Middle Atlantic, this year the regions are broken into larger, more straight-forward sections. Instead of nine, you will find four regions: Mid-West, West, East, and South.

If you recall last year's averages, you are undoubtedly surprised by the significant jump this year. With average reported salaries in the $60,000 to $70,000 range this year, the numbers are substantially greater than the average salaries of approximately $35,000 to $45,000 published in 1990.

The reason for this is simple. The broader base of respondents afforded by separating the regions into larger groups gives us a sounder statistical base. Whereas last year the averages were highly susceptible to fluctuation imposed by extremes, this year they are not.

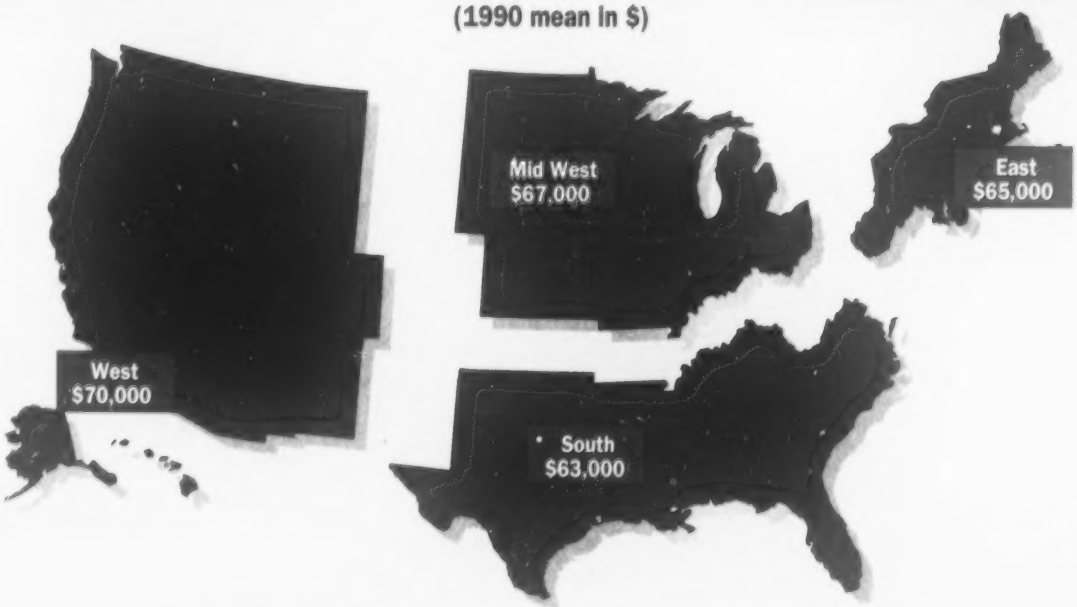
Take the New England region for example. If there was a lack of respondents in this category, one person who reported an extremely high salary could almost single-handedly offset the average. However, because New England is now part of a bigger region with more respondents—the East—the person reporting the extreme salary merely blends into the background. In effect, his response is counteracted by associates from other states who report either average salaries, or salaries which fall to the opposite extreme.

Despite the variations of format, however, we can draw some conclusions from the information. One such deduction comes from the Mid-West. Ringing in at $67,000, this region boasts salaries $2,000 higher than the characteristically high-paying Eastern region. While this is clearly good news for Mid-Westerners, it only serves to rain harder on the East's parade. It appears the recession, which has clearly hit the East the hardest, is reflected in many different veins.

The South, on the other hand, shows some fairly consistent performance in light of the recession. This region, which encompasses states from Florida to Kentucky, maintains a pay scale that is generally lower than the rest of the nation. This year's survey reflects this.

WHICH REGION PAYS BEST?

(1990 mean in $)



REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	East	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	17.3%	7%	0	0	33%	6%	65%	21%
$30,000 to $39,999	19.9%	3%	15%	5%	0	41%	15%	39%
$40,000 to $49,999	21.7%	13%	31%	25%	25%	28%	20%	18%
$50,000 to $69,999	19.9%	16%	15%	40%	33%	19%	0	21%
$70,000 and over	21.2%	61%	38%	30%	8%	6%	0	0

REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	South	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	29.3%	0	29%	4%	12%	24%	87%	45%
$30,000 to $39,999	14.0%	7%	0	12%	16%	32%	7%	11%
$40,000 to $49,999	15.7%	3%	29%	28%	32%	15%	3%	15%
$50,000 to $69,999	18.5%	28%	0	36%	24%	15%	0	15%
$70,000 and over	22.5%	62%	43%	20%	16%	15%	3%	15%

REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

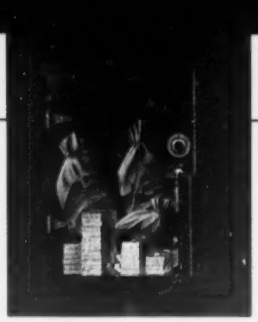
Title	Mid-West	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	23.6%	4%	10%	3%	13%	12%	81%	39%
$30,000 to $39,999	21.8%	7%	20%	20%	38%	37%	14%	19%
$40,000 to $49,999	11.6%	2%	10%	10%	28%	14%	0	23%
$50,000 to $69,999	18.7%	15%	30%	37%	19%	23%	6%	12%
$70,000 and over	24.3%	72%	30%	3%	14%	0	8%	0

REGIONAL COMPENSATION BY JOB TITLE

(1990 % in dollars)

Title	West	CEO/Pres.	VP/ Treasurer/ Sec.	VP/Sales/ General Manager	Branch Manager	Outside Sales	Inside Sales	Other
Less than $30,000	18.4%	9%	0	0	8%	17%	59%	31%
$30,000 to 39,999	20.2%	4%	0	8%	28%	39%	29%	15%
$40,000 to 49,999	20.2%	9%	20%	31%	28%	22%	12%	23%
$50,000 to $69,999	14.9%	17%	40%	23%	20%	11%	0	8%
$70,000 and over	26.3%	61%	40%	30%	16%	11%	0	23%

Source: Industrial Distribution



SALARY SURVEY

Super sales = super salary

Specialty houses may be the way to go in search of more money. But, as long as you're leaving, you might want to try a large one. Our study shows that individual salaries increase as companies grow in size. Knowing that larger houses generally boast higher sales and often greater cash flow, it's understandable.

Interestingly, though, even the highest grossing companies are feeling the pinch of the nation's crippling recession. Our survey indicates that CEOs in companies boasting $20 million or more in sales are making half what they made last year. That's a significant drop, no matter how you look at it.

COMPENSATION BY DISTRIBUTOR SALES SIZE

(dollar volume in millions)

Sales Size	<$1M	$1M-3M	$3M-6M	$6M-10M	$10M-$20M	$20M+
Total	$40,551	$53,054	$51,947	$60,264	$56,705	$52,080
CEO/Pres.	$52,000	$72,000	$90,000	$93,000	$102,000	$115,000
VP/Treas./Sec.	$42,000	$56,000	$44,000	$70,000	$85,000	$97,000
VP/Sales/Gen. Man.	$43,000	$48,000	$53,000	$63,000	$59,000	$66,000
Branch Manager	$28,000	$33,000	$41,000	$50,000	$53,000	$45,000
Outside Sales	$53,000	$43,000	$41,000	$49,000	$50,000	$44,000
Inside Sales	$27,000	$21,000	$24,000	$26,000	$28,000	$30,000
Other	$31,000	$34,000	$42,000	$36,000	$34,000	$48,000

Forget the praise, give me a raise

Bad news. The average salary increase has dropped this year. However, according to Norman Handshear, chairman of the board of the Scottsdale, Ariz.-based American Compensation Assn. (ACA), this is standard nationwide. "If anything, we are seeing a bit of a drop in pay this year because of the recession," he says. Outside sales is a classic example. Reporting a 12% pay increase last year, the group shows only an 8.74% jump this year.

SALARY INCREASE BY JOB TITLE

(% range of last increase)

Range	Avg % increase	9%	10%	11%-15%	16%-20%	21%+
% Receiving increase	8.17	1	15	9	5	5
CEO/Pres.	9.28	2	24	11	8	4
VP/Treas./Sec.	9.73	0	20	9	9	9
VP/Sales/Gen. Man.	8.43	0	15	10	5	4
Branch Man.	8.02	1	13	6	8	5
Outside Sales	8.74	0	15	10	5	9
Inside Sales	6.62	1	5	8	1	2
Other	6.99	1	11	7	0	3

Average Salary Increase: 8.17

So, you think you're special?

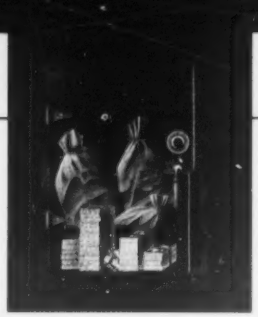
Is your weekly paycheck your top priority? If the answer to that question is "yes," you would do well to affiliate yourself with a specialty house. For the second year in a row, survey participants in specialty distributorships report the highest salaries. And, once again, the monetary difference is formidable. Specialty houses pay an average salary of $60,361, while combination houses come in behind at $52,576 and general line brings up the rear at $45,704.

COMPENSATION BY BUSINESS TYPE

(Average salary in dollars)

Business type	Combination House	Specialist	General Line
Average	$45,704	$60,361	$52,576
CEO/Pres.	$76,000	$92,000	$74,000
VP/Treasurer/Sec.	$72,000	$59,000	$67,000
VP/Sales/General Man.	$53,000	$61,000	$66,000
Branch Manager	$47,000	$48,000	$34,000
Outside Sales	$42,000	$50,000	$49,000
Inside Sales	$27,000	$26,000	$32,000
Other	$38,000	$45,000	$33,000

Source: Industrial Distribution



Your slice of the profit pie

According to Zuckerman, the factors that influence your individual compensation are geographical location, experience and education, level of responsibility and company position, as well as salaries offered by the competition. And, if the human resources department or your boss is figuring it right, you would expect salaries to escalate with each rung of the ladder climbed.

Distribution must be doing it right. Reported salaries rise steadily with each title from the inside salesperson right on up to the CEO. Now, if that doesn't give you something to look forward to, we don't know what does!

As healthy as distribution's overall compensation practices might be, however, it's important to note that the recession has had an impact on the bottom line. The industry-wide average salary of $52,241 is down roughly $7,000 from last year. And, CEOs are reporting a notable $20,000 shrinkage in pay since last year. Evaluating the statistics from the perspective of a down economy—the declines make sense. Companies caught in the throes of a recession must make cuts in order to survive in many cases. And after all, it's typically the top dog who takes the loss in lieu of cutting staff salaries when sales and profits are down.

They're definitely not cutting VP/treasurer salaries. According to our survey, these salaries are on the rise across the board.

COMPENSATION BY JOB TITLE

(1990 average)

Average	CEO/Pres.	VP/Treasurer/Sec.	Sales/General Man.
$52,241	$84,442	$65,479	$58,327
Branch Manager	**Outside Sales**	**Inside Sales**	**Other**
$45,757	$45,019	$27,123	$40,057

Incentives and other motivators

According to Handshear, one of the most significant trends in compensation practice is the evolution of alternative rewards. "Designed to prompt employees to go above and beyond the call of duty, alternative rewards are becoming more and more popular in many industries," he says.

Whether it's attributable to the service nature of the industry or not, distribution seems to be ahead of its time when it comes to alternative rewards. Offering incentives, from company profitability to individual sales volume performance, has been a common practice for distributors across the country for many years.

What's happening this year? Unfortunately, no clear-cut pattern emerges. The percentage of VP/sales personnel receiving company or branch profitability rewards has increased marginally from 38 to 39%. However, the percentage of outside salespeople receiving the same compensation is down a point. And, the inside sales category, which boasted a positive movement toward incentive compensation last year, shows a regression away from that mode. In fact, the table shows that only 14% of inside sales professionals receive company or branch profitability incentives. That's down significantly from 26% who received such compensation last year.

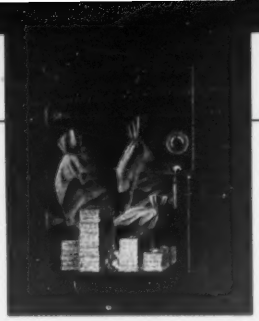
While some might speculate that cutbacks in this form of compensation may be attributed to the economic dive, Zuckerman refutes that theory. "There have been cutbacks in the area of bonuses given to employees at all ranks," he says. "But, as a rule, employers aren't cutting back on incentive programs."

TYPE OF COMPENSATION BY JOB TITLE

(% receiving incentive compensation)

Job Function	Average	CEO/ Pres.	VP/Treas./ Sec.	VP/Sales/ Gen. Man.	Branch Manager	Outside Sales	Inside Sales	Other
Company or branch profitability	34.3	59	58	40	50	8	14	24
No incentive compensation	26.8	21	34	23	16	13	48	42
Company or branch sales volume performance	12.3	8	5	21	26	3	14	12
Individual sales volume performance	11.6	5	0	8	1	34	14	8
Individual performance	10.3	3	3	4	3	40	6	5

Source: Industrial Distribution



SALARY SURVEY

Aging gracefully and gainfully

Compensation and financial considerations are clearly the thrust of this annual survey. However, last year we introduced a feature which doesn't bring into play the almighty dollar. The table below, entitled "How old are you compared to your associates?" gives you an opportunity to gauge where you stand in comparison to your peers. Are you a vice president of sales while other people your age are still outside salesmen? Do you want to move into the branch manager position but feel you lack the maturity? Check the table—you might find that your age and maturity level are right on par with the rest.

These tables reveal some significant themes. First, the average age of all respondents to this year's survey is 43. Ironically, this is one year older than last year's average: 42. Additionally, we found that most CEOs fall into the 55- to 59-year-old grouping. This clearly indicates a pre-requisite of age and the inevitable experience that goes along with it for those who fill the leadership positions. If you're one of the younger respondents—you're off to a smashing start.

Surprisingly, we found that the age drops off significantly for respondents filling VP/treasurer and VP/sales jobs. The table indicates that most VPs fall into the 35 to 39 age group. It may follow then that 10 to 15 years of experience in the second-in-command position is required before one can graduate to the CEO ranks. Of course, there are some respondents in the older and younger categories. Depending where you fall, you could be ahead of your time.

HOW OLD ARE YOU COMPARED TO YOUR ASSOCIATES?

(% in each age group)

Age	Average	CEO/Pres.	VP/Treasurer/Sec.	VP/Sales/General Man.	Branch Man.	Outside Sales	Inside Sales	Other
20-24	1.4	0	0	0	0	0	7	3
25-29	9.0	1	8	4	5	12	20	14
30-34	13.3	4	3	12	14	22	19	16
35-39	16.9	7	29	20	23	16	17	21
40-44	18.1	14	24	17	28	17	18	15
45-49	12.8	16	11	19	12	11	8	11
50-54	10.7	17	8	18	8	9	3	9
60-64	10	8	5	1	1	4	1	0
65-69	2.2	6	3	0	1	1	3	1
70 and over	0.5	2	0	0	0	1	0	0

Average Age: 43

Contemporaries cash in

Studying the age chart above gives you some valuable insights into where you stand in relationship to your contemporaries. But, what you're probably most interested in is how you measure up in terms of compensation—particularly as it relates to your age. That's why we added this new table.

What does it tell us? The highest percentage of respondents who fall into the $70,000+ category are 40 to 44 years old. This is a somewhat surprising discovery because, as noted above, CEOs were most frequently between the ages of 55 to 59. This probably means that the combined lower ranks, including vice presidents, branch managers, and outside salespeople, are being compensated handsomely. As a rule, it seems, distribution pays well. A remarkable 47% of respondents report earning salaries of $70,000 or more—the highest average of all.

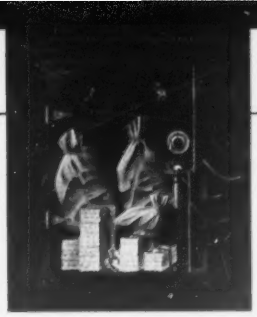
At the low end of both the age and salary scales, our survey indicates that 25% of respondents in the 25 to 29 age group make less than $30,000 per year. A tribute to their young age and comparative lack of experience? Perhaps. But, judging from the high salaries reported in the more mature age segments—there's nowhere to go but up.

HOW MUCH DO YOU MAKE COMPARED TO YOUR PEERS?

(% in each age group)

Age	Less than $30,000	$30,000 to $39,999	40,000 to $49,999	50,000 to $69,999	$70,000 and over
20-24	5	1	0	0	0
25-29	25	10	6	2	2
30-34	19	21	11	15	5
35-39	22	23	16	12	14
40-44	9	18	25	17	24
45-49	7	9	19	17	13
50-54	5	8	10	14	16
50-59	4	5	8	14	17
60-64	3	2	5	6	4
65-69	1	2	0	2	4
70 and over	1	1	0	1	0

Source: Industrial Distribution



SALARY SURVEY

Experience is of the essence

How many years of experience do you have in distribution? Chances are, if you are one of the many veterans in the industry, your longevity and strength of experience is a great source of pride for you. You've lived the business for years—and you know what you're talking about. You are a member of a select group. But, let's face it, you also expect to get paid for it!

At ID, we're pleased to report that this is just what's happening in distribution. According to our survey, the average salary increases steadily in tandem with experience. Those at the top, and those removed from management, are rewarded for their experience accordingly. The CEO category is a good example. With the exception of the first two experience segments, the leader's compensation package is sweetened as his experience is enhanced. And the lower ranks will be encouraged to see that the salary elevates to as high as $80,000 to $90,000 in the lofty experience ranges.

You may note that salaries drop off in the final segment of the table. However, considering that the grouping includes respondents with 36 or more years of experience, it's no wonder! Respondents in this category clearly numbered less than those in the lesser groups. And the reason is clear. How many people do you know who have more than 36 years of experience in distribution?

COMPENSATION BY EXPERIENCE

(average salary by years of distribution experience)

Experience in yrs.	3 or less	4–7	8–15	16–20	21–25	26–30	31–35	36+
Average	$35,481	$37,106	$48,305	$59,316	$62,591	$64,101	$67,747	$64,763
CEO/Pres.	$65,000	$63,000	$85,000	$85,000	$91,000	$93,000	$93,000	$69,000
VP/Treasurer/Sec.	NA	$69,000	$54,000	$97,000	$73,000	$61,000	NA	$55,000
VP/Sales/General Man.	$43,000	$57,000	$56,000	$63,000	$69,000	$58,000	$60,000	$51,000
Branch Manager	$51,000	$32,000	$43,000	$52,000	$49,000	$43,000	$51,000	$55,000
Outside Sales	$44,000	$43,000	$44,000	$51,000	$41,000	$51,000	$51,000	$56,000
Inside Sales	$21,000	$23,000	$27,000	$32,000	$30,000	$30,000	$33,000	$36,000
Other	$33,000	$29,000	$40,000	$45,000	$56,000	$46,000	$57,000	$69,000

NA = Data not available.

Up, up, and away with satisfaction

Satisfaction is an intangible quality. There's no doubt about it. If you're satisfied with your compensation, chances are your reasons are very different from the reasons your associate might have, and vice versa. That's why we didn't ask for rationalization. Regarding satisfaction, all we wanted was a yes or no answer. And that's what we got.

Overwhelmingly, the answer was yes. In fact, nearly every category, across the board, responded positively to the satisfaction question. 92.9% of CEOs; 83.3% of VP/treasurers; and 67.4% of VP/sales reported high levels of satisfaction with their compensation. And, these numbers reflect a significant jump from last year. (As much as 24% higher in the treasurer category.)

In keeping with the high satisfaction results, outlook on the immediate future also remains positive. 49% of CEOs predict a salary increase next year, and their colleagues are optimistic as well. 61% of VP/sales and branch managers and 55.7% of outside salespeople expect an increase this year.

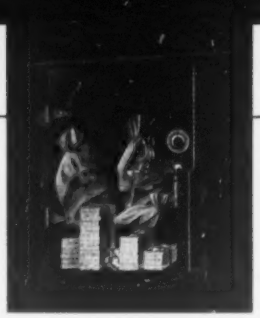
And, in the long term? Optimism reigns supreme for several years to come. Our survey asked: Where do you see yourself in five years? 57% of CEOs indicated a desire to be right where they are now, while 32% thought they would retire. This demonstrates a high degree of satisfaction with not only their salaries, but also their positions in the company. Lower in the ranks, everyone from VP/sales to inside sales reported a desire for "a better job with this company." Considering they had the option to reply with "in another job with a different company," satisfaction is high in distribution.

ARE YOU SATISFIED WITH COMPENSATION?

(% of respondents)

Job Function	Average	CEO/ Pres.	VP/ Trea./ Sec.	VP/ Sales/ Gen. Man.	Branch Man.	Outside Sales	Inside Sales	Other
Yes	64.4	93	83	68	60	66	37	40
No	35.6	7	17	33	40	34	63	60

Source: Industrial Distribution



SALARY SURVEY

Benefits: what you want vs. what you get

According to Handshear, benefits fall into two categories, statutory and voluntary. Statutory benefits are those which are required by law, such as unemployment, workers compensation, and Social Security. Voluntary benefits, on the other hand, are provided at the discretion of the employer and may include everything from health insurance to vacation time and pay. However, Zuckerman suggests that many of those benefits which are legally considered voluntary are now being viewed as standard. "It's reached the point where employees expect certain coverages—they no longer perceive them as benefits," he says.

Considering the low numbers on such "standard" benefits as 100% and partially paid health, distribution seems to be lagging behind the nationwide trend. While partially paid health showed a 2.5% increase from last year to 59.5%, 100% paid health dropped from 40.7% to 38.5%. Though small, it is significant.

Zuckerman notes that the decline could be attributable to skyrocketing health care costs and the efforts to contain them. "Health care is becoming extremely expensive—especially for the small guys—so they're cutting back any way they can," says Zuckerman. Although the industry trend may be to drop coverage for employees, it's interesting to note that health care in the CEO category is up measurably from last year's 53 to 65.8% this year.

If it's true what they say—that it's human nature to always want what we don't have—you'll be happy to learn that industry employees are only human. The health care figures are living proof. Knowing that only 38.5% of distributors receive full health benefits, it would follow that the remaining percentage would want this coverage. And it does. Figures reporting what employees want indicate that health insurance is a high priority at 42.5%. Also tops on the list are 100% dental coverage. According to our figures, 48.8% of all respondents want this benefit.

Taking into account your salary and benefits package—from profit sharing to life insurance—how do you measure up? ID

WHO GETS WHICH BENEFITS?

(% receiving benefits)

	Job function							
	Average	CEO/Pres.	VP/Treas./ /Sec.	VP/Sales/ Gen. Man.	Branch Man.	Outside Sales	Inside Sales	Other
Life Insurance	78.6	81	84	74	84	70	79	83
Partially paid health	59.5	34	45	63	68	68	78	66
Pension plan	45.1	41	53	41	55	44	46	46
Salary investment plan/401k	44.8	29	42	45	59	47	54	46
Profit sharing	44	46	50	36	50	36	50	43
100% paid health	38.5	66	53	33	30	30	22	31
Partially paid dental	35.8	22	24	37	53	39	43	34
Tuition reimbursement	31	28	30	32	43	22	27	41
Employee stock ownership	16.9	11	13	21	21	21	16	17
100% paid dental	13.8	29	13	10	9	11	2	12
Unpaid parental leave	9.3	9	13	6	12	6	13	8
Day care assistance	2.6	3	8	2	0	5	2	2

. . . AND WHO WANTS WHAT

(% wanting benefits)

	Job function							
	Average	CEO/Pres.	VP/Treas./ /Sec.	VP/Sales/ Gen. Man.	Branch Man.	Outside Sales	Inside Sales	Other
100% paid dental	48.8	28	36	51	56	47	63	48
100% paid health	42.0	11	36	45	46	50	58	36
Pension plan	34.7	43	21	38	31	33	40	30
Employee stock ownership	33.1	15	36	29	42	34	41	0
Salary investment plan/401k	31.1	31	18	30	25	37	27	40
Profit sharing	25.8	17	11	33	24	30	31	24
Tuition reimbursement	15.2	7	7	13	15	22	21	12
Partially paid dental	14.5	13	14	12	9	13	24	16
Day care assistance	14.3	1	7	8	16	13	30	17
Life Insurance	11.1	9	7	16	11	13	12	7

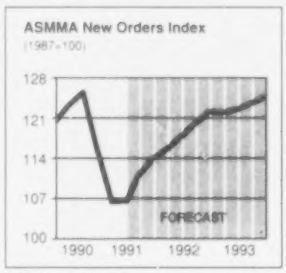
Source: Industrial Distribution

By Susan E. Farris

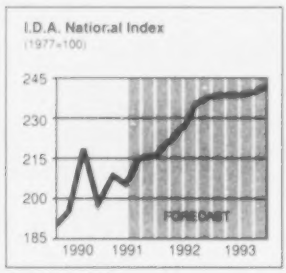
Capital spending to rise in '92

Despite signs of economic upturn, businesses are cautious about future.

Capital expenditure in manufacturing continued to decline in the second quarter of 1991. On an annualized basis, spending totaled $187.4 billion, falling 0.3% from the second quarter of 1990. With sufficient available capacity in most manufacturing sectors, spending is projected to remain around this level through the end of the year. As demand picks up in the beginning of 1992, expect capital expenditures to slowly rise to $204.7 billion in the fourth quarter, an increase of 4.4% over the same period in 1991. The outlook calls for manufacturing spending on plant and equipment in 1993 to grow 7.7% on an annual basis.



Data source: ASMMA
Forecast source: Cahners Economics

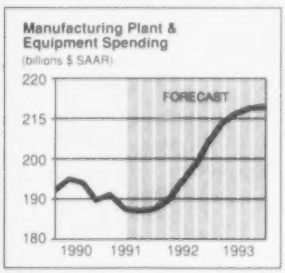


Data source: I.D.A.
Forecast source: Cahners Economics

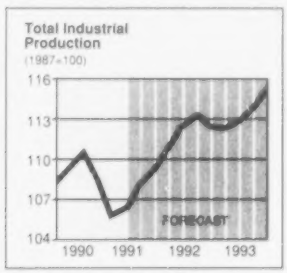
The ASMMA New Order Index reported two consecutive months of strong increases in new orders, creeping up 1.4% in July alone. This supports the premise that recovery is underway. New orders for manufactured goods grew 6.2% in July, the largest gain since December 1970, with durable goods orders soaring 11.2%.

This strength in new orders bodes well for manufacturing output. Industrial production in August continued to climb, growing 0.3% over July. Excluding the motor vehicle and parts industry where production was cut back 9.3% in August, manufacturing output rose 0.6% from July. While the motor vehicle industry experienced its first decrease in output in five months, production of materials used in the automotive industry actually grew in August. Total industrial production is forecasted to end 1991 at 1.6% below year-ago levels. However, expect to see output shoot up by 4.5% in 1992.

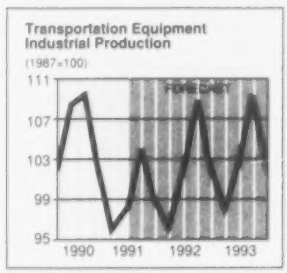
Operating rates in most manufacturing sectors are currently stable enough to meet any demand fluctuations. Total industrial capacity utilization crept up for the fifth consecutive month to 80.0% in August. On the OEM side, capacity utilization rates in August for non-electrical machinery and fabricated metals were at 76.5% and 77.4%, respectively. Process industries' operating rates are currently increasing at a faster rate than the ones for durable equipment, with the exception of the paper industry whose capacity is already 91%. The outlook is for total manufacturing capacity utilization to reach 79.3% by the end of this year and grow to 81.6% for 1992.



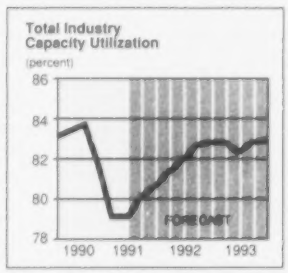
Data source: Commerce Department
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics



Data source: Federal Reserve Board
Forecast source: Cahners Economics

(1977=100)	SALES Aug. 1991	SALES July 1991	SALES Aug. '91 vs Aug. '90 change	RECEIVABLES Aug. 1991 days	INVENTORY July-Aug. 1991 % change
TOTAL	216.1	213.9	−5.7	51.7	−0.8
EAST	192.5	181.2	+1.6	46.0	−1.4
SOUTH	352.4	360.3	−11.9	65.4	+0.3
CENTRAL	160.5	152.9	−1.7	41.7	−1.6
WEST	217.9	199.2	−6.7	33.5	−1.7

SOURCE: Industrial Distribution Assn.